

## Relations industrielles Industrial Relations



# Industrial Relations, Strategic Importance and Decision-Making Prise de décision et relations industrielles dans les multinationales

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### Résumé de l'article

Les multinationales ont déjà fait l'objet de maintes études (Warner et Peccei, 1977; Gunter, 1974; Levinson, 1972). On a beaucoup écrit au sujet de l'influence de ces firmes sur les niveaux d'emploi, les salaires, la structure de la main-d'œuvre et autres questions connexes. Au contraire, on a effectué peu de recherches touchant le processus de prise de décision dans les sociétés multinationales en ce qui concerne les relations de travail. Cet article porte essentiellement sur cet aspect négligé du comportement des multinationales et il se rapporte à une analyse des différences dans le processus de prise de décision selon les divisions de produits qu'on y fabrique en regard de recherches antérieures (Peccei et Warner, 1976).

L'étude a été effectuée dans une grande société multinationale à l'activité diversifiée dont le siège social est situé en Grande-Bretagne. La société emploie 200 000 personnes réparties dans soixante-dix pays et elle est active dans la fabrication de quatre types de produits s'étendant à autant d'industries, mais elle porte en premier lieu sur vingt et une filiales de ces divisions au Royaume-Uni. Après une série d'interviews d'un caractère informel avec les cadres supérieurs au siège social et au bureau principal des divisions, on fit parvenir un questionnaire à chacune des filiales choisies pour l'étude. Le questionnaire fut rempli par le gérant ou le directeur du personnel de l'établissement. Quant à leur importance, les filiales s'étendent d'établissements comptant moins de 50 employés jusqu'à des établissements qui en comprennent 2 000. Outre le questionnaire, une série d'interviews approfondies eurent lieu avec les cadres supérieurs et les directeurs du personnel dans trois établissements du sud-est de l'Angleterre.

En autant que nous avons révisé les résultats des découvertes dans ce domaine et effectivement poursuivi nous-mêmes des recherches dans une grande multinationale britannique (Peccei et Warner, 1976), nous sommes arrivés à la conclusion que, dans certains services, la prise de décision est nettement centralisée, par exemple, pour les services de finances et la nomination du personnel supérieur. Par ailleurs, plusieurs autres services peuvent paraître décentralisés en apparence, bien qu'il puisse exister un certain degré latent de contrôle lequel est implicite dans la nature même de la décentralisation et de la délégation de pouvoirs, comme nous l'avons noté dans un article antérieur. Lorsqu'il est analysé, en tenant compte des divisions, le degré de décentralisation n'augmente pas avec les dimensions de la firme.

Les résultats de la recherche permettent de conclure que le degré d'autonomie sous-jacent d'une unité est relié à son importance stratégique (mesurée selon le nombre total des employés de l'unité) et au degré d'insécurité que la direction locale doit affronter (mesuré selon la fréquence des désaccords entre le syndicat et la direction au niveau local sur un ensemble de dix-huit décisions). D'une façon plus spécifique, l'autonomie s'accroît d'après l'importance de la filiale mais tend à s'amenuiser une fois que les unités ont atteint une certaine dimension. De même, l'autonomie s'accroît d'abord avec l'insécurité locale, mais tend à décliner quand le degré d'insécurité continue à croître. (Peccei et Warner, 1976). De ces deux variables indépendantes, la dimension de l'établissement ressort comme la plus importante pour expliquer les variations dans le degré d'autonomie locale, mais non à l'intérieur des divisions.

Les données recueillies (bien qu'elles soient d'une étendue limitée) étaient cependant très révélatrices de l'indication des rapports. Tout ce qu'il est possible de faire à ce stade, c'est d'avancer une certaine interprétation sujette à révision des découvertes actuelles et de soumettre quelques hypothèses exploratoires qui peuvent servir de point de départ à des recherches futures plus systématiques.

Ce que les données relatives aux établissements du Royaume-Uni et de l'Europe de l'Ouest, considérées ensemble, semblent indiquer, c'est que, indépendamment du degré d'insécurité que la direction locale doit affronter, les filiales établies à l'étranger ont tendance à être autonomes d'une façon plus marquée que les unités nationales. Ceci, en retour, indique que l'élément « unités nationales comparées aux unités étrangères » constitue le point central en ce qui concerne l'autonomie sous-jacente et que le degré et le modèle de centralisation dans les sociétés multinationales est susceptible de différer de ceux qu'on découvre dans les entreprises à établissements multiples qui sont exploitées à l'intérieur des frontières nationales. Leurs relations avec le marché ambiant au sein duquel elles fonctionnent peuvent être d'une certaine pertinence ici, mais elles ne sont pas nécessairement concluantes. Qu'il suffise de suggérer qu'il s'agit d'un domaine difficile où il n'est guère possible de généraliser.

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# Industrial Relations, Strategic Importance, and Decision-Making

**Ricardo PECCEI**  
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*This study looks at Industrial Relations decision-making in 18 decision-areas, in a multinational firm. It analyses the problem in terms of a model of strategic importance and examines in detail the inter-organizational variance of centralization of the Company's four main product divisions. Substructural autonomy appears to increase with the size of subsidiary, but seems to level off once they have attained a certain size. The average size of subsidiary and average degree of conflict for each of the divisions were also found to be related in a somewhat unexpected way.*

Multi-national corporations (hitherto to be referred to as MNCs), have already been discussed by a number of writers, (see for example Warner & Peccei, 1977, Günter, 1974; Levinson, 1972). A great deal has been written about the impact of multi-national firms on employment levels, wages, the structure of the labour force and related questions. By contrast, relatively little research has been done on the structure of decision-making in multi-national companies with particular reference to industrial relations. This paper will concentrate on this neglected area of inquiry, and will relate an analysis of variance of decision-making, by product-division, to earlier findings, (see Peccei & Warner, 1976).

What little evidence is available suggests that the handling of industrial relations matters (see Gennard & Steuer, 1971; Kujawa, 1971; Blake 1973; Roberts & May, 1974) in multi-national firms is 'apparently' far less centralised than is often claimed or feared. On the whole, labour-management relations 'appear' to be the responsibility of subsidiary management, with industrial relations issues usually not being decided at corporate head-

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quarters. Roberts and May do not offer a systematic explanation of the different patterns of behaviour. They limit themselves to suggesting that, apart from cultural factors, the differences in the role of company headquarters in British and American firms may be due to: (1) different policies of expansion and patterns of ownership (2) different degrees of financial control as well as different methods and criteria for assessing performance (3) a different tradition and experience of collective bargaining resulting in a less highly developed sense of company industrial relations policy in British than in American firms (1974: 407).

Patterns of corporate behaviour, however, may vary over time (see for example Gill, 1974/5: 26). Warner et al. (1973) for example, have noted that multi-national firms, largely American although not necessarily, originally try to transfer their industrial relations style to other sites abroad in a wholesale fashion (stage A). They found (in stage B) later that they ran into trouble as the unions opposed certain 'alien' labour relations practices, and eventually (in stage C) moved to an accommodation *grosso modo* with the social-industrial norms dominant in the national culture. (1973: 20). What this first attempt at a development model suggested was that as multi-national firms are pressured into adapting to the industrial relations practices of the host country, local management assumes greater responsibility for the handling of labour problems, and the extent of headquarters' interference tends to diminish. Even at this stage, however, the extent of corporate intervention may fluctuate, increasing in times of crisis or when important issues are at stake and decreasing once the situation becomes normalised. Thus, for example, as Ash (1967) points out, when it is deemed necessary the "corporate industrial relations department does get into the actions which are normally decentralised... for example, collective bargaining is decentralised, but with detailed, continuous reporting of local bargaining, the corporate department can and does step in (1) when the trend of the local bargaining may substantially affect more than one local unit; or (2) when unorganised units are organised for the first time; or (3) when management changes bring new, inexperienced management to the local bargaining table". (1967: 22). Or, more generally, as Günter suggests, "headquarters management seems to interfere in the industrial relations policies of subsidiaries where the overall operations of a corporation are endangered". (1967: 42).

In other words, the decision-making structure may be far from 'unitary' or 'monolithic' in the sense of being either wholly centralized or decentralized. As noted above the degree of headquarters involvement may also change over time as well as vary and fluctuate depending on the situation and on the nature of the issues. As Roig points out, "no structure of a multi-national company can be defined as simply unified or fragmented.

The equilibrium unification-fragmentation is dynamic and fluctuates in stabilising shifts, going forward in some aspects and withdrawing in others, in order to reach a new equilibrium from the disruption of the external forces faced by a multi-national company". (1967). In brief, therefore, the decision-making structure may be considerably more fragmented, fluid and complex than is often assumed or implied in the literature, (for a similar point based on slightly different arguments see Günter, 1974: 40), and affect industrial relations of multi-plant firms in national as well as international settings, (c.f. Thomson & Hunter, 1975).

One clue to a more profound understanding of the factors discussed above is to examine the objectives of the multi-national enterprise. One observer (Vernon, 1971) in discussing these objectives concedes that the multi-national enterprises covered in his study are nearly identical with the largest US corporations, and that "all generalizations on the subject of corporate behaviour represent a heroic simplification of reality" (1971: 115-116). He goes on to say that in the course of his study, "the simplifying model of the behaviour of large US corporations that has proved most useful is one quite far removed from the classical model" (1971: 116). The characteristics he describes of oligopolistic competition, uncertainty in the decision-making process, the "sheer size and diversity of these entities" (1971: 117), etc. lead him to conclude that these firms are different from small businesses in their essential nature, and he concludes that they often give "the impression of a group of cooperating forces joined together in one organization but managing to retain distinguishably different goals within it" (1971: 117).

In order to weld together the various parts of this conglomeration to respond to problems in a way that is consistent with its collective goals, an organizational structure has to develop of a very special kind. The result, as described by Vernon, leads to a way of reaping the benefits of an international division of activity but at the same time resolving the problem of internal control. How this supervision is maintained, given the size of such organizations, particularly in the industrial relations field, is the subject of this analysis.

## RESEARCH DESIGN

The study was carried out in a large, diversified, British-based international company. The firm employs approximately 200,000 employees in seventy countries and has four main product divisions covering as many industries. The study covers all four product divisions, but is confined in the

first instance to an examination of 21 United Kingdom subsidiaries of such divisions. After a series of loosely structured interviews with top executives at Group and Division Headquarters a questionnaire was sent to each of the subsidiaries chosen for the study. The questionnaire was completed by the senior manager and/or the personnel director at the plant. The subsidiaries range in size from plants employing less than 50 employees to plants employing approximately 2,000 employees. In addition to the questionnaire, a series of intensive interviews were conducted with senior managers and personnel directors at three UK plants in the South East of England.

### **CONCEPTUAL PROBLEMS — DEFINITION OF TERMS: CENTRALIZATION, DECENTRALIZATION, AUTONOMY**

The centralization-decentralization variable has been conceptualized and measured in a number of different ways in the literature on organizations. Thus, for example, it has been treated both as a dichotomous variable and as a continuum. It has been measured in terms of relatively objective criteria, such as the ratio of corporate IR staff to total IR staff, as well as in terms of the degree of delegation and of hierarchical participation in decision-making. (See, for example, Hall, 1962; Ash, 1967; Pugh *et al.*, 1968; Blau, 1971; and Warner *et al.*, 1973). In this paper, centralization and decentralization will be related to the concept of substructural autonomy. In brief, centralization and decentralization may be thought of as comprising opposite ends of a continuum. This continuum is in turn composed of two main dimensions or variables: the degree and the scope of autonomy of substructural units. These two variables may vary independently and taken together they define the degree of centralization or decentralization of an organization with respect to IR decision-making.

### **DEPENDENT VARIABLE MEASURES**

#### **Degree of Autonomy**

This may be measured by two questions. One refers to the degree to which headquarters is involved in policy-making: the other to the degree of influence which subsidiary management has at the local level and to the degree of effective control which it has in the handling of IR issues.

### **Scope of Autonomy**

This may be measured in terms of autonomy over 18 decision areas. In previous studies (Kujawa, 1971; Blake, 1973; Roberts & May, 1974) only five general categories of IR functions are identified. Ash, (1967) provides a more detailed list of 19 IR activities. A few of the activity areas identified by Ash are included in the present list. Some of his items, however, are far too general (e.g. union collective bargaining), while others are not particularly relevant to the present research (e.g. "executive health program", "employee communications" and so on). Thomson and Hunter, (1975) have pursued another approach related to the centralization of collective bargaining. The present list of IR decisions was compiled with two main criteria in mind: (1) that the decisions refer to areas or issues which are of particular relevance to trade unions, and/or blue and white-collar employees. On the basis of this criterion, decisions concerning the establishment and administration of an "executive health program", for example, are considered of only marginal interest and are consequently excluded from the list. (2) That the decision area be as specific as possible. General items such as collective bargaining and contract interpretation, therefore, were excluded in favour of a more detailed breakdown of activities in terms of specific issues and decisions. In addition we included overall decisions broader than IR, e.g. those relating to capital investment at plant level.

### **EXPLANATORY MODEL AND INDEPENDENT VARIABLES**

There are a larger number of both organizational and environmental factors which may affect the degree of autonomy of a substructural unit within large organizations (see also Gennard and Steuer, 1971; Roig, 1971; Warner & Turner, 1972; and Günter, 1974, for special reference to multinational firms). Before listing some of the main factors, it may be useful to suggest an initial explanatory model of substructural autonomy. This model should help to clarify the relationship between the independent and the dependant variables.

To the extent that headquarters fears that local management may make incorrect decisions, or to the extent that decisions made at the point of production are likely to have major consequences for overall company performance, top management is not likely to relinquish control over the decision-making process (see Blau, 1970: 171), in order to maintain consistency across plants say in wage levels. However, it may not always be possible for the headquarters to maintain a highly centralized system of decision-making. The influence of factors like technology, or the environment may

not permit it. There may well be costs and burdens associated with a high degree of centralization, which, together with local pressures for greater autonomy, may constrain top management to decentralize decision-making, both in reality, or even appearance.

What we are assuming is that there is a strong tendency for headquarters to centralize decisions. This tendency, however, will be reversed when centralization becomes either impossible or impractical (where they have little opinion) *and* when top management feels that it is relatively safe to delegate decisions. This may also vary over time (Gill, 1974/5: 26). The independent variables which will be identified below, therefore, are essentially those factors which either increase or reduce the risk of decentralization, and which make it either necessary or desirable for headquarters to grant greater freedom of action to subsidiary management across the board, or even selectively.

Certain factors, such as size of plant, may be hypothesized as exerting conflicting pressures on the degree of local autonomy. Thus, for example, it may be argued that headquarters are more likely to become involved in the IR problems of large plants because of their strategic importance to the company as a whole. On the other hand, large strategic units may become an independent power base, thus enabling local managers at these plants to gain a high degree of influence and autonomy. Similarly, when attempting to identify the combination of factors associated with a high degree of decentralization it is necessary to keep in mind that some highly inter-correlated factors may have opposite effects on autonomy, thus cancelling each other out.

## MEASURES OF CENTRALIZATION-DECENTRALIZATION

In the present study the degree of centralization-decentralization is measured in terms of 18 specific IR activities or decision-areas. (See Table 1). In addition, two main dimensions of centralization-decentralization are distinguished:

### **Policy Decentralization**

Refers to the relative involvement of local management and Head Office in the formulation of IR policies and guidelines. Measured in terms of a 5 point scale (see Table 2): 1 = High policy decentralization (complete local management autonomy in policy formulation); 5 = High policy centralization (complete Head Office control over formulation of IR policies).

### **De Facto Decentralization**

Refers to the degree of influence which, in practice, local management has over IR matters at plant level. Measured in terms of a 5 point scale (see Table 2): 1 = High de facto decentralization (in practice local management has complete say over IR matters); 5 = Low de facto decentralization (in practice local management has no say over IR matters).

For each decision-area, therefore, local management was asked to specify their degree of involvement in policy formulation and to assess their degree of effective influence over the decision. For each decision a summary index of centralization-decentralization was then constructed by combining the scores on these two dimensions.

### **Overall Decentralization — Score on Variable (1) + Score on Variable (2)**

Measured on a 5 point scale, 1 = High overall decentralization, 5 = High overall centralization. In order to assess the nature of the relationship between local management and Head Office, for each of the 18 decisions respondents were also asked to specify whether or not the issue tends to be a contentious one, i.e. whether or not it generates conflict and disagreement between Head Office and local management.

### **Level on Conflict Between Head Office and Local Management**

Dichotomous variables — 0 = No disagreement, 1 = Disagreement.

**TABLE 1**  
**List of IR Decisions**

- 1 Recruitment of employees
- 2 Transfer of employees within or between departments or work groups
- 3 Payment systems for employees within the plant
- 4 Employees' wages and salaries in excess of those established in national agreements
- 5 Dismissal of employees
- 6 Restructuring and reorganisation of work tasks
- 7 Redundancies and lay-offs within the plant
- 8 Disciplinary measures (warnings, fines, suspensions, etc.)
- 9 Appointment of shop-floor supervisors
- 10 Overtime work
- 11 Safety measures
- 12 Capital investments at plant (purchasing of new machinery, etc.)
- 13 Job evaluation (work study techniques, time and motion studies, etc.)



- 14 Employees' holidays (those aspects which are not already covered by national agreements, e.g. timing and possibly duration of holidays)
- 15 Appointment of senior manager(s) at plant
- 16 Organisational change (creation of new departments, introduction of new specialist roles, etc.)
- 17 Employees' effective working time (those aspects not already covered by national agreements, e.g. length of lunch and tea breaks, number and timing of rest periods per day, etc.)
- 18 Selection of middle managers at plant

## STRATEGIC IMPORTANCE AND UNCERTAINTY

Inter-plant variations in the degree of autonomy shall be analyzed primarily in terms of the strategic importance of the units and of the degree of uncertainty faced by management at the local level, (see Peccei and Warner, 1976).

The degree of uncertainty or unpredictability at the local level is directly related to the variable encompassing the 'need to decentralize'. It seems reasonable to assume that as the degree of uncertainty increases at the periphery of an organization so does the need to decentralize authority since it becomes increasingly difficult for the centre to effectively cope with all the unexpected problems which are likely to arise at the local level. Headquarter's dependence on subsidiary management in turn strengthens the bargaining position of the periphery vis-à-vis the centre, thus further reinforcing the tendency towards local autonomy: see for example, Crozier (1964) on control of uncertainty as a basis of power. Other things being equal, therefore, one would expect there to be a positive correlation between the degree of local uncertainty and the degree of substructural autonomy.

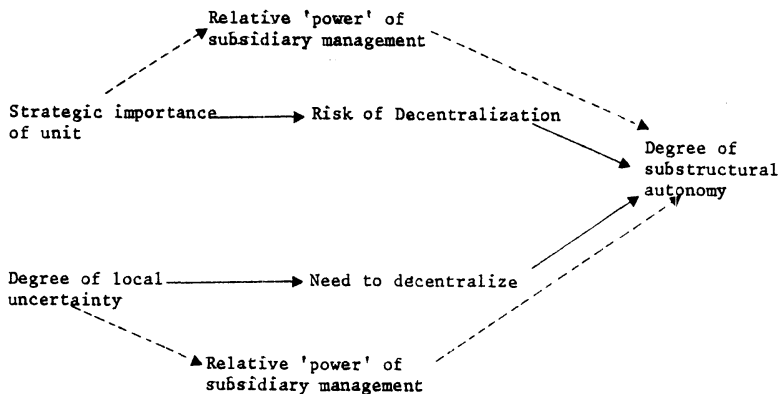
The relation between autonomy and the strategic importance of substructural units, by contrast, is more complex. In terms of the general model suggested above, the strategic importance of a substructural unit can be said to affect the degree of autonomy through its effect on the 'risk of decentralization' variable. From the point of view of headquarters the greater the strategic importance of a unit, the greater the risks involved in decentralization. Headquarters are more likely to become involved in decision-making processes of strategic plants because of the greater impact which these units have on the functioning and success of the company as a whole. In principle, therefore, one might expect to find a *negative* relationship between the degree of local autonomy and the strategic importance of substructural units. Strategic units, however, may become dependent power-bases in their own right. Through control over valued resources, local management at these plants can gain a certain degree of autonomy vis-à-vis headquarters.

The strategic importance variable, therefore, may be hypothesized as exerting possibly conflicting pressure on local autonomy. On balance, however, one would expect the negative relationship to be stronger so that, in general, one would argue that the greater the strategic importance of a substructural unit, the lower its degree of autonomy.

Schematically, these various relationships may be represented as follows (in Figure 1):

**FIGURE 1**

**The model**



## SIZE OF UNIT AND AUTONOMY

A positive association was found between size and degree of autonomy of subsidiaries (Pearson  $r = 0.58$ , significant at 0.05 level). The larger the size of a unit, the greater its autonomy vis-à-vis headquarters. This relationship holds true also if we control for uncertainty. Thus, we find a positive partial correlation of 0.44 between size and autonomy controlling for the level of conflict between management and unions, (see Peccei and Warner, 1976).

This discrepancy between the original theory and the empirical evidence is in need of discussion. In the first place, it should be emphasized that the findings are based only on a moderately sized and possibly idiosyncratic sample. The lack of empirical support for the original hypothesis, therefore, does not necessarily mean that it can be rejected outright. To meaningfully test this hypothesis, in fact, one would require evidence from a much larger and more representative sample or organizations than the one used in the present research.

Nor, for that matter, can one rule out the possibility that lack of support for the original hypothesis is due to the nature of the data and/or measures employed rather than to weaknesses in the theory as such. The reliability of data obtained by means of a postal questionnaire is, at least to some extent, open to question. So is the validity of constructing an overall autonomy score for each of the subsidiaries aggregating and averaging responses over the set of eighteen decisions. A summary index of autonomy is obviously necessary and desirable. Ideally, though, in constructing such an index one should take into account differences in the type, frequency and objective or subjective importance of decisions. In practice, however, it proved impossible to weight the eighteen decisions in terms of these various criteria. The average score used in the present analysis, therefore, is not totally satisfactory and its value as a general index of autonomy is open to question.

Yet a further factor which might account for the unexpected nature of the present findings is the fact that our analysis focuses on size of unit, while ignoring other possible indicators of strategic importance. As noted above, the strategic importance of a unit is a function of a number of factors which need not necessarily be inter-correlated. By concentrating on only one of the relevant variables, therefore, one is likely to obtain only a partial, and possibly a distorted, picture of the relationship between autonomy and strategic importance. This consideration clearly applies in the present case and might well help to explain why we failed to find empirical support for the original hypothesis by using size of unit as the main independent variable.

Given the possible limitations of our data and measures, we are not in a position to reject the original hypothesis with any degree of confidence. Nor, however, *can* it be fully accepted as formulated. Quite apart from the empirical-methodological problems considered above, the fact that a positive rather than a negative correlation was found between size and autonomy, *strongly suggests that the original theory is in need of at least some modifications.*

In our theoretical discussion we stressed the fact that strategic importance may exert conflicting pressures on local autonomy since, not only the risk involved in decentralization but also the relative strength of local management, tends to increase along with the importance of a unit. In the original model we suggested that the risk factor was the most important element in the situation and hypothesized a negative relationship between autonomy and strategic importance. This hypothesis was based on two assumptions. First, that in the case of strategic units, headquarters would attempt to minimize risks by retaining a high degree of control over

decision-making. And second, that this strain towards centralization would more than outweigh any centrifugal pressures resulting from increases in the relative strength of local management. The positive correlation found between size and autonomy, however, suggests otherwise. It suggests that, at best, these assumptions are only of limited validity. In other words, the empirical evidence points to the need to revise the original theory.

Though statistically significant, the strength of this relationship should not be over-emphasized. Size, in fact, only accounts for approximately 34% of the variance in autonomy. The relative weakness of the relationship becomes even more apparent if we look at the correlation between size and autonomy *for each of the decisions separately* rather than aggregating responses over the whole set of 18 decisions.

With respect to indeed a majority of decisions (10 out of 18), the relationship between size and autonomy in fact seems to be characterized by a reverse 'J' shaped curve. That is to say, autonomy is lowest in the case of the smaller subsidiaries and highest in the case of medium-sized units, with larger plants falling in between these two extremes. (See also Peccei and Warner, 1978). This pattern does not hold true for all 18 decisions. Thus, for example, in a number of cases (decisions 3, 8, 9, 10, 12) we find a *linear* pattern, with autonomy increasing along with size of unit. In the case of these decisions, it is large rather than medium-sized plants which are the most autonomous. In other words, the relative position of medium and large units with respect to autonomy varies from one decision to the next. By contrast, we find little variation in the relative position of small plants; except in the case of a few decisions small plants are considerably less autonomous than either large or medium-sized units.

Thus, over the whole set of decisions we find that on average, large subsidiaries tend to be marginally less autonomous than medium-sized ones, but that both these types of units are significantly more autonomous than small plants. From the data, therefore, it would appear that autonomy does, in fact, increase along with size of unit. After a certain point, however, the degree of autonomy tends to level off. If anything, in fact, there is a slight tendency for autonomy to decline as units become relatively large.

A further important point which emerges from our data is that small, medium and large units also differ in terms of their pattern of centralization. Decisions concerning capital investments, wages and payment systems are among the most centralized irrespective of size of subsidiary. (Decisions 12, 4 and 3). The position becomes increasingly complex if an analysis is made of inter-organizational variance, by product-division, as now follows.

**BREAKDOWN BY PRODUCT DIVISION**

As can be seen in the Table 2, there are significant differences in the degree of centralization of the company's four main product divisions.

**TABLE 2**  
**Degree of Centralization of Four Divisions by Type of Decision**  
**Average Degree of Centralization**

| <i>Decision</i>                  | <i>Division A</i> | <i>Division B</i> | <i>Division C</i> | <i>Division D</i> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| 1                                | 1.50              | 1.75              | 1.75              | 2.22              |
| 2                                | 1.00              | 1.25              | 1.25              | 1.66              |
| 3                                | 1.75              | 2.68              | 3.00              | 4.05              |
| 4                                | 2.00              | 2.43              | 3.00              | 3.77              |
| 5                                | 1.25              | 3.12              | 2.50              | 2.61              |
| 6                                | 1.00              | 1.56              | 2.50              | 1.77              |
| 7                                | 1.75              | 3.25              | 3.00              | 2.77              |
| 8                                | 1.00              | 2.58              | 4.50              | 2.72              |
| 9                                | 1.00              | 1.37              | 1.00              | 1.93              |
| 10                               | 1.25              | 1.87              | 2.25              | 2.16              |
| 11                               | 1.00              | 2.58              | 1.50              | 2.94              |
| 12                               | 2.25              | 2.87              | 2.75              | 4.22              |
| 13                               | 1.00              | 1.87              | 2.50              | 3.16              |
| 14                               | 1.25              | 1.62              | 1.00              | 2.00              |
| 15                               | 2.50              | 2.37              | 3.25              | 3.27              |
| 16                               | 1.75              | 2.06              | 2.75              | 3.88              |
| 17                               | 1.25              | 1.56              | 1.25              | 2.27              |
| 18                               | 1.00              | 1.75              | 2.25              | 2.05              |
| Average degree of Centralization | 1.40              | 2.14              | 2.33              | 2.75              |

(1 = low centralization; 5 = high centralization)

Divisions A and B: difference between means significant at 0.001 level

Divisions A and C: difference between means significant at 0.05 level

Divisions A and D: difference between means significant at 0.001 level

Divisions B and C: difference between means significant at 0.10 level

Divisions B and D: difference between means significant at 0.001 level

Divisions C and D: difference between means not significant

Division A is by far the most decentralized. Local managers in this division enjoy a fair degree of autonomy in the case of almost every decision; far more autonomy than do their counterparts in the other three divisions. At the opposite extreme is division D. On the whole, decisions tend to be

quite centralized in this division, so that, on average, subsidiary management enjoys a fairly low degree of autonomy in decision-making.

A further important point which emerges from our data is that the four divisions also differ in terms of their patterns of centralization. As Table 3 shows, decisions concerning capital investments and payment systems are among two of the most centralized decisions in all four divisions.

**TABLE 3**  
**Five Most Centralized Decisions by Division**

| <i>Rank</i> | <i>Division A</i> | <i>Division B</i> | <i>Division C</i> | <i>Division D</i> |
|-------------|-------------------|-------------------|-------------------|-------------------|
| 1           | 15                | 7                 | 15                | 12                |
| 2           | 12                | 5                 | 3, 4 & 7          | 3                 |
| 3           | 4                 | 12                | 12                | 16                |
| 4           | 3, 7 & 16         | 3                 |                   | 4                 |
| 5           |                   | 8 & 11            |                   | 3                 |

See Table 1 for the decision-types corresponding to these numbers.

From Table 3, however, we can also see that the types of decisions which are most centralized do vary to some extent between divisions. The most significant finding in this respect is that divisions A and C share a broadly similar pattern of centralization which in turn differs from that of the other two divisions. Thus, in divisions A and C, unlike in the other two divisions, headquarters exercises the greatest degree of control over the appointment of senior managers.

At the same time, there is also an emphasis on capital investments and on more traditional IR questions such as wage-rates, payment-systems and redundancies. Questions concerning payment-systems and wages are also among the most centralized decisions in division D, along with decisions about job-evaluation and organizational change. In this case, however, it is decisions concerning capital investments which are the most centralized. Finally, division B exhibits yet a different pattern of centralization. In this division, in fact, there is a much greater emphasis on the centralization of IR issues as such. In this case, moreover, the emphasis is on a slightly different set of IR issues than in the other divisions (e.g. on decisions concerning dismissals, disciplinary measures and safety-measures).

Given the limited number of cases at our disposal all we can do at this stage is suggest some tentative interpretations of the present findings and explore some general hypotheses which may serve as a point of departure for future research.

Earlier findings reported elsewhere (Peccei and Warner, 1976) suggest that the degree of autonomy of a subsidiary is related to its strategic importance (measured in terms of the total number of employees in the unit), and to the degree of uncertainty faced by local management (measured in terms of the frequency of union-management disagreement at the local level over the set of 18 decisions). The relationship between autonomy and each of these two variables was found to be of a non-linear nature. More specifically, autonomy increases along with size of subsidiary but tends to level off once units have attained a certain size. Similarly, autonomy at first increases along with local uncertainty but tends to decline as the degree of uncertainty continues to grow. Of these two independent variables, size was found to be the most important in accounting for variations in the degree of local autonomy.

In the present case, we are not trying to account for variations in the degree of autonomy of subsidiaries as such. Rather, we are looking at variations in the overall degree of centralization of larger units (divisions), which, for present purposes, can be conceptualized as separate multi-plant organizations in their own right, even though, in practice, they all form part of a larger group or complex. In this case, therefore, the units of analysis are organizations (i.e. multi-plant divisions) rather than individual subsidiaries. Some of the hypotheses discussed in the earlier study, may nevertheless be generalized and prove useful in looking at *inter-organizational* (divisional) variations in the structure of decision-making.

It can be seen, in Table 4, that the relationship between the average size of subsidiaries and the average degree of union-management conflict for each of the four divisions under consideration, is somewhat unexpected.

TABLE 4

## Average Size of Subsidiaries &amp; Average Degree of Local Conflict by Division

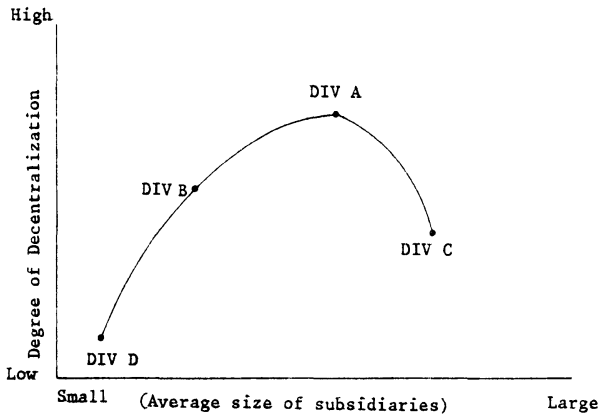
| <i>Division</i> | <i>Average Size of Subsidiaries</i> | <i>Average Degree of Local Conflict</i> |
|-----------------|-------------------------------------|---|
| A               | 850                                 | 0.68                                    |
| B               | 696                                 | 0.66                                    |
| C               | 1 380                               | 0.79                                    |
| D               | 50                                  | 0.25                                    |

On the basis of the previous research, we would expect the degree of centralization of a division to increase along with the average size of its subsidiaries and along with the degree of union-management conflict which exists at the periphery of the organization. As the average size of subsidiaries and the degree of peripheral conflict continues to increase, however, we would expect this tendency to be reversed. In other words, we would expect

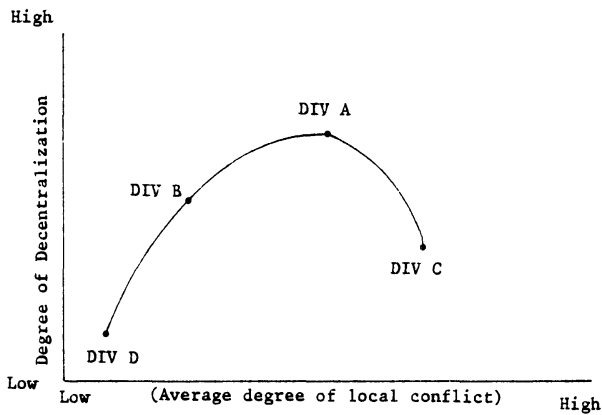
division A to be the most decentralized and division D to be the most centralized, with divisions B and C falling somewhere between these two extremes.

Figures 2 and 3 suggest that this is in fact the case.

**FIGURE 2**  
**Decentralization and Size**



**FIGURE 3**  
**Decentralization and Local Conflict**

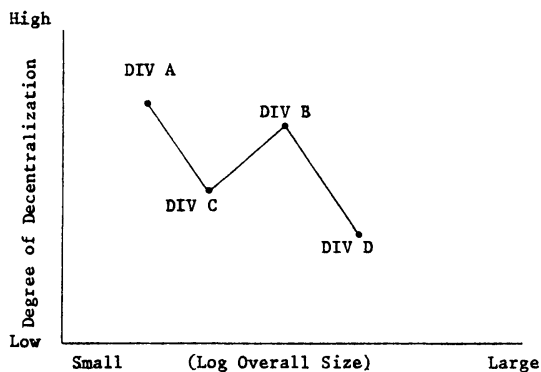




Our present sample is clearly too small to enable us to systematically test out hypotheses. The fact that there is a fairly good fit between our hypotheses and the empirical findings, however, lends support to the general model of centralization presented in the previous paper (Peccei & Warner, 1976) and suggests that this model may indeed prove useful in looking at both intra and inter-organizational variations in the structure of decision-making.

What is particularly interesting in this connection is the fact that the present findings seem to suggest that there is no direct relation between the degree of centralization of an organization and its overall size. In particular, and contrary to what has been recently suggested by a number of writers (e.g. Pugh *et al.*, 1968; and Child, 1972), the degree of decentralization does not seem to increase along with the overall size of the organization. In the present case, in fact, no clear pattern emerges in this respect. If anything, Figure 4 suggests that there is a negative rather than a positive relation between overall size of division and degree of decentralization.

**FIGURE 4**  
**Decentralization and Log Overall Size**



In other words, the overall size may not be a particularly significant variable in accounting for variations in the degree of centralization of organizations. This may be true particularly in the case of multi-plant organizations. In such cases, in fact, it may be far more important to look

at the internal structure of the organization, i.e. at the size and number of its constituent units, rather than at its overall size. As we have seen, in fact, large organizations with a large number of small subsidiaries (as in the case of division D may turn out to be far more centralized than smaller organizations with larger subsidiaries (as in the case of divisions A or C).

## CONCLUSIONS

In so far as we have reviewed research findings in the field, and indeed carried out research ourselves in a large British-based MNC, (see Peccei and Warner, 1976), we have come to the conclusion that certain decision-making areas are explicitly centralized, for example, finance and the appointment of senior personnel. In addition several others may be apparently decentralized although there may well be a *latent* degree of control exercised and implicit in the very nature of decentralization and delegation, as we have discussed in the previous paper. When analyzed by product-division, the degree of decentralization does not increase with overall size.

The research suggests that the degree of substructural autonomy of a unit is related to its strategic importance (measured in terms of the total number of employees employed in the unit), and to the degree of uncertainty faced by local management (measured in terms of the frequency of union-management disagreement at the local level over the set of 18 decisions). More specifically, autonomy increases along with size of subsidiary but tends to level off once units have attained a certain size. Similarly, autonomy at first increases along with local uncertainty, but tends to decline as the degree of uncertainty continues to grow (Peccei & Warner, 1976). Of these two independent variables, size was found to be the most important in accounting for variations in the degree of local autonomy, but not within product-divisions.

The data collected (although limited in scale) however was highly suggestive for possible clues to relationships. All we can do at this stage is suggest some tentative interpretation of the present findings and develop some exploratory hypotheses which may serve as a point of departure for more systematic future research.

What the data relating to both the United Kingdom and Western European plants, taken together, seems to suggest is that, irrespective of the size and the degree of uncertainty faced by local management, foreign based subsidiaries tend to be significantly more autonomous than home based units in the field of IR (see Warner and Peccei, 1977; 1978). This in turn suggests that the 'home vs. foreign based' dimension is central to the analysis of sub-structural autonomy, and that the degree and pattern of centrali-

zation in multi-national firms is likely to differ from that in multi-plant organizations which only operate within national boundaries. Their relationship to the market environment in which they operate may be of some relevance here, but not necessarily conclusive. We can only suggest that this is a difficult field in which to generalize.

Even if it can be demonstrated that considerable managerial autonomy exists at the country and/or plant level, and indeed that the acceptance of worker-participation structures there constitutes further decentralization, it nonetheless remains likely that the parameters of policy are set at the very highest level in the MNC's structures, especially in the key areas we have discussed. (See Warner and Peccei, 1977; 1978). Although such attempts at worker participation may be very often a source of irritation to the MNC and indeed worse still perceived as potentially very subversive, in reality such countervailing power may be very circumscribed. On the other hand, decision-making is more complex and fragmented than many observers believe.

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## Prise de décision et relations industrielles dans les multinationales

Les multinationales ont déjà fait l'objet de maintes études (Warner et Peccei), 1977; Günter, 1974; Levinson, 1972). On a beaucoup écrit au sujet de l'influence de ces firmes sur les niveaux d'emploi, les salaires, la structure de la main-d'oeuvre et autres questions connexes. Au contraire, on a effectué peu de recherches touchant le processus de prise de décision dans les sociétés multinationales en ce qui concerne les relations de travail. Cet article porte essentiellement sur cet aspect négligé du comportement des multinationales et il se rapporte à une analyse des différences dans le processus de prise de décision selon les divisions de produits qu'on y fabrique en regard de recherches antérieures (Peccei et Warner, 1976).

L'étude a été effectuée dans une grande société multinationale à l'activité diversifiée dont le siège social est situé en Grande-Bretagne. La société emploie 200 000 personnes réparties dans soixante-dix pays et elle est active dans la fabrication de quatre types de produits s'étendant à autant d'industries, mais elle porte en premier lieu sur vingt et une filiales de ces divisions au Royaume-Uni. Après une série d'interviews d'un caractère informel avec les cadres supérieurs au siège social et au bureau principal des divisions, on fit parvenir un questionnaire à chacune des filiales choisies pour l'étude. Le questionnaire fut rempli par le gérant ou le directeur du personnel de l'établissement. Quant à leur importance, les filiales s'étendent d'établissements comptant moins de 50 employés jusqu'à des établissements qui en comprennent 2 000. Outre le questionnaire, une série d'interviews approfondies eurent lieu avec les cadres supérieurs et les directeurs du personnel dans trois établissements du sud-est de l'Angleterre.

En autant que nous avons révisé les résultats des découvertes dans ce domaine et effectivement poursuivi nous-mêmes des recherches dans une grande multinationale britannique (Peccei et Warner, 1976), nous sommes arrivés à la conclusion que, dans certains services, la prise de décision est nettement centralisée, par exemple, pour les

services de finances et la nomination du personnel supérieur. Par ailleurs, plusieurs autres services peuvent paraître décentralisés en apparence, bien qu'il puisse exister un certain degré latent de contrôle lequel est implicite dans la nature même de la décentralisation et de la délégation de pouvoirs, comme nous l'avons noté dans un article antérieur. Lorsqu'il est analysé, en tenant compte des divisions, le degré de décentralisation n'augmente pas avec les dimensions de la firme.

Les résultats de la recherche permettent de conclure que le degré d'autonomie sous-jacent d'une unité est relié à son importance stratégique (mesurée selon le nombre total des employés de l'unité) et au degré d'insécurité que la direction locale doit affronter (mesuré selon la fréquence des désaccords entre le syndicat et la direction au niveau local sur un ensemble de dix-huit décisions). D'une façon plus spécifique, l'autonomie s'accroît d'après l'importance de la filiale mais tend à s'amenuiser une fois que les unités ont atteint une certaine dimension. De même, l'autonomie s'accroît d'abord avec l'insécurité locale, mais tend à décliner quand le degré d'insécurité continue à croître. (Peccei et Warner, 1976). De ces deux variables indépendantes, la dimension de l'établissement ressort comme la plus importante pour expliquer les variations dans le degré d'autonomie locale, mais non à l'intérieur des divisions.

Les données recueillies (bien qu'elles soient d'une étendue limitée) étaient cependant très révélatrices de l'indication des rapports. Tout ce qu'il est possible de faire à ce stade, c'est d'avancer une certaine interprétation sujette à révision des découvertes actuelles et de soumettre quelques hypothèses exploratoires qui peuvent servir de point de départ à des recherches futures plus systématiques.

Ce que les données relatives aux établissements du Royaume-Uni et de l'Europe de l'Ouest, considérées ensemble, semblent indiquer, c'est que, indépendamment du degré d'insécurité que la direction locale doit affronter, les filiales établies à l'étranger ont tendance à être autonomes d'une façon plus marquée que les unités nationales. Ceci, en retour, indique que l'élément «unités nationales comparées aux unités étrangères» constitue le point central en ce qui concerne l'autonomie sous-jacente et que le degré et le modèle de centralisation dans les sociétés multinationales est susceptible de différer de ceux qu'on découvre dans les entreprises à établissements multiples qui sont exploitées à l'intérieur des frontières nationales. Leurs relations avec le marché ambiant au sein duquel elles fonctionnent peuvent être d'une certaine pertinence ici, mais elles ne sont pas nécessairement concluantes. Qu'il suffise de suggérer qu'il s'agit d'un domaine difficile où il n'est guère possible de généraliser.